

**Q1**  
2010 | 2011

# Interim Report

1 April to 30 June 2010



## THE FIRST THREE MONTHS OF FINANCIAL YEAR 2010/2011 AT A GLANCE

- GESCO is starting into the upturn
- Incoming orders increase significantly by 43 %
- Full year guidance confirmed

## GESCO GROUP KEY FIGURES FOR THE FIRST QUARTER OF THE 2010/2011 FINANCIAL YEAR

01.04.-30.06.		I. Quarter 2010/2011	I. Quarter 2009/2010	Change
Incoming orders	(€'000)	87,763	61,431	42.9 %
Sales revenues	(€'000)	76,773	73,580	4.3 %
EBITDA	(€'000)	7,348	7,510	-2.2 %
EBIT	(€'000)	4,554	4,859	-6.3 %
Earnings before tax	(€'000)	3,893	3,957	-1.6 %
Group net income after minority interest	(€'000)	2,448	2,512	-2.5 %
Earnings per share acc. to IFRS	(€)	0.81	0.83	-2.4 %
Employees	(No.)	1,731	1,762	-1.8 %

## THE GESCO GROUP AT A GLANCE

**GESCO AG**

**SEGMENT TOOL MANUFACTURE  
AND MECHANICAL ENGINEERING**

**SEGMENT  
PLASTICS TECHNOLOGY**

## DEAR SHAREHOLDERS,

In the first quarter (1 April to 30 June 2010) of financial year 2010/2011 (1 April 2010 to 31 March 2011), GESCO Group's business recovered significantly. Whereas in financial year 2009/2010, incoming orders dropped lower and lower in each quarter, this trend reversed itself in the first quarter of 2010/2011. This positive development also continued in the second quarter.

### Development of Group sales and earnings

The financial year of GESCO AG and GESCO Group runs from 1 April to 31 March the following year, while the financial years of the subsidiaries correspond to the calendar year. The interim report for the first three months of financial year 2010/2011 therefore encompasses the operating months January to March 2010 of the Group's subsidiaries. The income statement for the same period in the previous year did not yet include Georg Kesel GmbH & Co. KG, which was acquired in April 2009.

In the first quarter of the previous year, the recession arrived at GESCO Group; by the first quarter of the reporting year, the Group had managed to shake off the recession. Various subsidiaries are reporting steady demand from customers and a general recovery of business activities.

Incoming orders climbed by 42.9% to € 87.8 million in the first quarter of financial year 2010/2011 (previous year's period: € 61.4 million). This indicates a definite trend reversal in the operating business.

Group sales, on the other hand, went up only slightly year on year, and this growth was mainly attributable to the acquisition of Georg Kesel GmbH & Co. KG. As most of the products manufactured by GESCO Group companies have long production cycles, incoming orders only translate into sales after some time. In the first quarter of the previous year, GESCO Group also still profited from large order backlog left over at the start of the year of the recession. Order backlog had decreased significantly by the beginning of the new financial year 2010/2011. Sales now have to be generated to a large extent from new incoming orders. But several months may elapse before incoming orders become sales, depending on a subsidiary's business model.

Overall, Group sales rose by 4.3% to € 76.8 million in the first quarter of 2010/2011 (€ 73.6 million). While material expenditure went up, personnel expenditure went down slightly, despite increased sales. Other operating expenditure in the first quarter includes a one-off effect of € 600 thousand, which is not going to repeat itself in the following quarters. Total earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to € 7.3 million (€ 7.5 million). As write-downs were slightly up, EBIT (earnings before interest and taxes) went down from € 4.9 million in the previous year to € 4.6 million. The financial result improved from € -0.9 million to € -0.7 million. Group net income after minority interest

totalled € 2.4 million compared to € 2.5 million in the first quarter of the previous year. This equates to earnings per share according to IFRS of € 0.81 (€ 0.83). Without the above-mentioned one-off effect, earnings figures would have developed positively and risen higher than sales.

## Segment reporting

The economic upturn had a positive effect on both operating segments.

Tool manufacture and mechanical engineering is still the larger of the two segments. Incoming orders in the first quarter rose by 46.9% to € 79.2 million (previous year: € 53.9 million) and sales by 4.1% to € 69.6 million (previous year: € 66.9 million). EBIT grew by 12.2%, higher than sales, and came to € 5.5 million (previous year: € 4.9 million).

Incoming orders in the smaller plastics technology segment rose by 14.3% to € 8.5 million (previous year: € 7.5 million). Sales increased by 6.8% to € 7.0 million (previous year: € 6.5 million), while EBIT went up by 37.1% (above average) to € 0.9 million (previous year: € 0.7 million).

## Assets and financial position

Changes on the balance sheet mainly reflect the improved operating business. The balance sheet total went up slightly from € 246.4 million at the end of the previous financial year to € 256.3 million.

On the asset side, trade receivables in particular increased. Liquid assets amounted to € 25.0 million on the reporting date (previous year: € 26.9 million).

On the liabilities side, equity increased to € 107.7 million due to the result for the period (€ 105.2 million). The equity ratio amounted to 42.0% on the reporting date (42.7%) and was therefore still at a high level. Total non-current and current liabilities to financial institutions dropped by € 3.1 million. Trade creditors increased due to the more upbeat operating business.

Overall, GESCO Group continues to have healthy balance sheet structures, sufficient liquid assets and a large amount of equity; the Group has enough funds to act at any time when it comes to investments in existing subsidiaries and also acquisitions.

## Employees

The Group employed 1,731 staff on the reporting date compared to 1,762 on the previous reporting date. Figures for the same period in the previous year did not yet include the 42 employees of Georg Kesel GmbH & Co. KG, which was acquired in April 2009.

## Outlook and events after the reporting date

Business continued to develop positively in the second quarter of financial year 2010/2011, which encompasses the operating months April to June of the subsidiaries. Incoming orders amounted to € 91.4 million, sales were in the region of € 79.8 million. Both figures were higher than in the first quarter. The book to bill ratio was over 1 in the first as well as the second quarter. This is a sign of further growth.

Based on the information available to us, we confirm our forecast for the current financial year 2010/2011 released at the accounts press conference on 29 June 2010. It projects Group sales between € 290 million and € 320 million and Group net income after minority interest of between € 9 million and € 11 million. This corresponds to earnings per share according to IFRS of between € 2.98 and € 3.64.

Apart from the acquisition of Kesel, it was difficult to achieve external growth through acquisitions in the past financial year, as many business owners put their plans to sell on hold in view of economic uncertainties and resulting problems with the valuation of their companies. The economic outlook has considerably improved in the meantime, which is likely to have a positive impact on the market for financially sound SMEs in the industrial sector in the current financial year.

Yours faithfully,

GESCO AG

The Executive Board

Wuppertal, August 2010

## GESCO GROUP BALANCE SHEET AS AT 30 JUNE 2010 AND 31 MARCH 2010

Assets	30.06.2010 €'000	31.03.2010 €'000
<b>A. NON-CURRENT ASSETS</b>		
<b>I. Intangible assets</b>		
1. Industrial property rights and similar rights and assets as well as licences to such rights and assets	9,262	9,636
2. Goodwill	6,693	6,693
3. Prepayments made	598	598
	<b>16,553</b>	<b>16,927</b>
<b>II. Tangible assets</b>		
1. Land and buildings	29,641	29,970
2. Technical plant and machinery	22,089	22,375
3. Other plant, fixtures and fittings	16,288	16,777
4. Prepayments made and plant under construction	1,501	1,196
5. Property held as financial investments	3,237	3,276
	<b>72,756</b>	<b>73,594</b>
<b>III. Financial assets</b>		
1. Shares in affiliated companies	15	15
2. Shares in associated companies	1,119	1,114
3. Investments	38	38
4. Securities held as fixed assets	4,018	4,069
5. Other loans	290	305
	<b>5,480</b>	<b>5,541</b>
<b>IV. Other assets</b>	<b>2,556</b>	<b>2,497</b>
<b>V. Deferred tax assets</b>	<b>3,038</b>	<b>3,011</b>
	<b>100,383</b>	<b>101,570</b>
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
1. Raw materials and supplies	15,982	16,019
2. Unfinished products and services	20,624	17,481
3. Finished products and goods	37,098	38,957
4. Prepayments made	554	531
	<b>74,258</b>	<b>72,988</b>
<b>II. Receivables and other assets</b>		
1. Trade receivables	44,896	36,605
2. Amounts owed by affiliated companies	585	523
3. Amounts owed by companies with which a shareholding relationship exists	1,477	1,372
4. Other assets	8,726	5,978
	<b>55,684</b>	<b>44,478</b>
<b>III. Securities</b>	<b>18</b>	<b>18</b>
<b>IV. Cash in hand, credit balances with the Bundesbank, credit balances with financial institutions and cheques</b>	<b>25,008</b>	<b>26,942</b>
<b>V. Accounts receivable and payable</b>	<b>963</b>	<b>360</b>
	<b>155,931</b>	<b>144,786</b>
	<b>256,314</b>	<b>246,356</b>

Equity and liabilities	30.06.2010 €'000	31.03.2010 €'000
<b>A. EQUITY</b>		
I. Subscribed capital	7,860	7,860
II. Capital reserves	36,576	36,529
III. Revenue reserves	57,578	55,130
IV. Own shares	-77	-77
V. Exchange equalisation items	-256	-272
VI. Subsequent valuation acc. to IAS 39	-105	-59
VII. Minority interests (incorporated companies)	6,076	6,062
	107,652	105,173
<b>B. NON-CURRENT LIABILITIES</b>		
I. Minority interests (partnerships)	2,805	3,037
II. Provisions for pensions	9,381	9,341
III. Other long-term provisions	1,864	1,832
IV. Liabilities to financial institutions	51,611	51,852
V. Other liabilities	3,470	3,548
VI. Deferred tax liabilities	4,180	4,403
	73,311	74,013
<b>C. CURRENT LIABILITIES</b>		
I. Other provisions	10,028	7,317
II. Liabilities		
1. Liabilities to financial institutions	19,705	22,597
2. Trade creditors	14,020	7,372
3. Prepayments received on orders	9,825	11,497
4. Liabilities on bills	300	50
5. Liabilities to companies with which a shareholding relationship exists	206	182
6. Other liabilities	21,058	17,962
	65,114	59,660
III. Accounts receivable and payable	209	193
	75,351	67,170
	256,314	246,356

## GESCO GROUP INCOME STATEMENT FOR THE FIRST QUARTER (1 APRIL TO 30 JUNE)

	I. Quarter 2010/2011 €'000	I. Quarter 2009/2010 €'000
Sales revenues	76,773	73,580
Change in stocks of finished and unfinished products	1,953	668
Other company produced additions to assets	28	133
Other operating income	1,001	1,368
<b>Total income</b>	<b>79,755</b>	<b>75,749</b>
Material expenditure	-43,061	-38,916
Personnel expenditure	-20,298	-20,945
Other operating expenditure	-9,048	-8,378
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>7,348</b>	<b>7,510</b>
Depreciation on tangible and intangible assets	-2,794	-2,651
<b>Earnings before interest and tax (EBIT)</b>	<b>4,554</b>	<b>4,859</b>
Earnings from investments in associated companies	5	-57
Other interest and similar income	82	95
Interest and similar expenditure	-704	-758
Minority interest in partnerships	-44	-182
<b>Financial result</b>	<b>-661</b>	<b>-902</b>
<b>Earnings before tax (EBT)</b>	<b>3,893</b>	<b>3,957</b>
Taxes on income and earnings	-1,236	-1,249
<b>Group net income</b>	<b>2,657</b>	<b>2,708</b>
Minority interest in incorporated companies	-209	-196
<b>Group net income after minority interest</b>	<b>2,448</b>	<b>2,512</b>
Earnings per share (€) acc. to IFRS	0.81	0.83
Weighted average number of shares	3,020,640	3,014,740



## STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER (1 APRIL TO 30 JUNE)

	I. Quarter 2010/2011 €'000	I. Quarter 2009/2010 €'000
Group net income	2,657	2,708
Difference from currency translation	20	-136
Revaluation of securities not impacting on income	-46	-212
<b>Income and expenditure recorded directly in equity</b>	<b>-26</b>	<b>-348</b>
<b>Total result for the period</b>	<b>2,631</b>	<b>2,360</b>
of which shares held by minority interest	213	170
of which shares held by GESCO shareholders	2,418	2,190

## GESCO GROUP STATEMENT OF CHANGES IN EQUITY CAPITAL

	Subscribed capital	Capital reserves	Revenue reserves
	€'000	€'000	€'000
As at 01.04.2009	7,860	36,338	53,731
Stock option programme		40	
Result for the period			2,512
As at 30.06.2009	7,860	36,378	56,243
As at 01.04.2010	7,860	36,529	55,130
Dividends			
Stock option programme		47	
Result for the period			2,448
As at 30.06.2010	7,860	36,576	57,578

## GESCO GROUP SEGMENT REPORT FOR THE FIRST QUARTER (1 APRIL TO 30 JUNE)

€'000	Tool manufacture and mechanical engineering		Plastics technology	
	I. Quarter 2010/2011	I. Quarter 2009/2010	I. Quarter 2010/2011	I. Quarter 2009/2010
Order backlog	93,366	131,277	5,911	6,376
Incoming orders	79,163	53,902	8,549	7,480
Sales revenues	69,649	66,920	6,995	6,548
of which with other segments	0	0	0	0
Depreciation	1,894	1,894	419	428
EBIT	5,465	4,872	912	665
Investments	1,469	1,432	35	197
Employees (No./Reporting date)	1,524	1,531	194	218

Own shares €'000	Exchange equalisation items €'000	Revaluation IAS 39 €'000	Total €'000	Minority interests incorporated companies €'000	Equity capital €'000
-270	-255	0	97,404	5,881	103,285
			40		40
0	-110	-212	2,190	170	2,360
-270	-365	-212	99,634	6,051	105,685
-77	-272	-59	99,111	6,062	105,173
				-199	-199
			47	0	47
0	16	-46	2,418	213	2,631
-77	-256	-105	101,576	6,076	107,652

	GESCO AG		Other/consolidation		Group
I. Quarter 2010/2011	I. Quarter 2009/2010	I. Quarter 2010/2011	I. Quarter 2009/2010	I. Quarter 2010/2011	I. Quarter 2009/2010
0	0	0	0	99,277	137,653
0	0	51	49	87,763	61,431
0	0	129	112	76,773	73,580
0	0	0	0	0	0
24	27	457	302	2,794	2,651
-1,106	-812	-717	134	4,554	4,859
0	3	0	0	1,504	1,632
13	13	0	0	1,731	1,762

## GESCO GROUP CASH FLOW STATEMENT FOR THE FIRST QUARTER (1 APRIL TO 30 JUNE)

	I. Quarter 2010/2011 €'000	I. Quarter 2009/2010 €'000
Result for the period (including share attributable to minority interest in incorporated companies)	2,657	2,708
Depreciation on fixed assets	2,794	2,651
Result from investments in associated companies	-5	57
Share attributable to minority interests in partnerships	44	182
Increase in long-term provisions	72	93
Other non-cash result	770	-20
<b>Cash flow for the period</b>	<b>6,332</b>	<b>5,671</b>
Losses from the disposal of tangible/intangible assets	1	4
Gains from the disposal of tangible/intangible assets	-11	-91
Increase in stocks, trade receivables and other assets	-13,183	-10,904
Increase in trade creditors and other liabilities	10,772	3,557
<b>Cash flow from ongoing business activity</b>	<b>3,911</b>	<b>-1,763</b>
Incoming payments from disposals of tangible assets/intangible assets	17	97
Disbursements for investments in tangible assets	-1,612	-1,460
Disbursements for investments in intangible assets	0	-157
Incoming payments from disposals of financial assets	5	0
Incoming payments from the sale of consolidated companies	18	0
Disbursements for the acquisition of consolidated companies	0	-7,470
<b>Cash flow from investment activities</b>	<b>-1,572</b>	<b>-8,990</b>
Disbursements to minority shareholders	-471	-323
Incoming payments from raising (financial) loans	1,674	11,388
Outflow for repayment of (financial) loans	-5,476	-3,713
<b>Cash flow from funding activities</b>	<b>-4,273</b>	<b>7,352</b>
<b>Cash increase in cash and cash equivalents</b>	<b>-1,934</b>	<b>-3,401</b>
Financial means on 01.04.	26,960	30,365
<b>Financial means on 30.06.</b>	<b>25,026</b>	<b>26,964</b>

## EXPLANATORY NOTES

### Accounts, accounting and valuation methods

The report of GESCO Group for the first quarter (1 April to 30 June 2010) of the 2010/2011 financial year (1 April 2010 to 31 March 2011) was prepared on the basis of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB). It was drawn up in compliance with IAS 34.

The accounting and valuation principles applied generally correspond with those in the Group financial statements as of 31 March 2010. The financial statements are affected by the accounting and valuation methods as well as assumptions and estimates which affect the level and recognition of assets, liabilities and contingent liabilities on the balance sheet and of the income and expenditure items. Sales-related figures are accrued throughout the year.

The structure of the segment report has been adapted according to the consolidated financial statements dated 31 March 2010. In the interim reports of financial year 2009/2010, intercompany sales were consolidated under "Other/consolidation". In this interim report, they were consolidated within the operating segments instead. Previous years' figures were adjusted accordingly.

## FINANCIAL CALENDAR

2 September 2010

Annual General Meeting at the Stadthalle, Wuppertal

November 2010

Publication of the figures for the first six months (1 April to 30 September 2010) and dispatch of the interim report

February 2011

Publication of the figures for the first nine months (1 April to 31 December 2010)

7 June 2011

Accounts press conference and analysts' meeting

21 July 2011

Annual General Meeting

August 2011

Publication of the figures for the first three months (1 April to 30 June 2011)

November 2011

Publication of the figures for the first six months (1 April to 30 September 2011) and dispatch of the interim report

## DEAR SHAREHOLDERS,

If you would like to receive regular information on GESCO AG, please add your name to our mailing list. Please print this page, fill it out and return it to us by post or fax. You can also register on our website [www.gesco.de](http://www.gesco.de), send us an e-mail at [info@gesco.de](mailto:info@gesco.de) or call us on +49 202 24820-18.

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